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C O N F I D E N T I A L SECTION 01 OF 03 MANILA 001960

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SUBJECT: SCENESETTER FOR LTG MAPLES VISIT TO THE
PHILIPPINES

Classified By: Kristie A. Kenney, for reasons 1.4 (b) and (d)

¶1. (SBU) SUMMARY: Welcome to the Philippines! You are coming to the Philippines at an important time. With U.S. support, the Armed Forces of the Philippines continues to score successes against terrorists in the southern Philippines, even as it reforms itself and controls extrajudicial killings. The Philippine government and the Moro Islamic Liberation Front (MILF) are continuing efforts to work towards a comprehensive peace agreement. Last week, the Armed Forces scored a significant military success against rogue elements of the MILF driving them from villages they had illegally occupied in central Mindanao. During your visit, you will be briefed by the Mission Country Team, meet with Philippine Secretary of National Defense Gilberto Teodoro, and senior members of the Philippine Armed Forces. You will also visit the American Cemetery in Manila, and will fly to Camp Navaro in Zamboanga to receive a briefing by the U.S. Joint Special Operations Task Force-Philippines.

PHILIPPINES POLITICS

¶2. (SBU) Philippine politics is free-wheeling, focused primarily on the charisma of individual political leaders, and still largely oligarchic, with most wealth and political power concentrated among influential families. President Gloria Macapagal Arroyo assumed the Presidency in 2001 after a "people power" movement swept out her predecessor, whom she recently pardoned after he was convicted of corruption. She is a strong leader who has faced a series of challenges to her rule, including unsuccessful impeachment efforts and low-level military coup attempts. The President's political position improved after May 2007 elections gave her allies a large majority in the House of Representatives, decreasing any impeachment threat. With two years left in her term, the President appears intent on establishing her legacy, with a focus on the economy and jobs, infrastructure, and seeking stability and peace in Mindanao.

ECONOMICS AND TRADE

¶3. (U) The U.S. is the Philippines' largest trading partner, with over \$17.1 billion in two-way merchandise trade in 2007. Major U.S. exports include electronics and agriculture. The U.S. is also the largest investor here, with \$6.6 billion in equity. The Philippine economy grew by 7.3 % in 2007, the fastest pace of growth in over three decades. Growth was fueled by increased government and private construction expenditures, a robust information and

communications-technology industry, improved agricultural harvests, and strong private consumption, spurred in part by \$14.4 billion in remittances from overseas workers (equivalent to about 11% of GDP). GDP growth is expected to slow in 2008, but still reach between 5-6%. Record economic growth and an improved image moved the Philippines up five places to 40th in the latest World Competitiveness Yearbook rankings, its best performance since it joined the listing over a decade ago. According to the April 2008 Social Weather Stations survey, Filipinos, self-assessed proficiency in the English language has recovered in the past two years after a decline over the previous 12 years. President Arroyo has an impressive reform agenda -- privatizing the electric power sector, building infrastructure, increasing education funding, and reducing business red tape -- but still faces significant hurdles, particularly to improving the investment climate.

MINDANAO: SECURITY, THE PEACE PROCESS, AND COUNTER TERRORISM

14. (C) Military forces and law enforcement officials continue to achieve important successes in counterterrorism efforts; the government has announced the death or capture of eight key terrorist leaders and over 200 other terrorism suspects since August 2006. Recently, Philippine Forces mounted surgical strikes against known terrorist camps in Jolo that had served as safe-havens for Abu Sayyaf Group and Jemaah Islamiyah members for several years.

15. (C) In mid-July, Presidential Advisor on the Peace

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Process Hermogenes Esperon (and former Chief of the Armed Forces) announced that the Philippine government and the Moro Islamic Liberation Front (MILF) agreed to draft territorial arrangements for a new Muslim political entity -- a key issue in facilitating a comprehensive peace plan between the government and the MILF. However, the Philippine Supreme Court issued a restraining order temporarily halting the formal signing strictly on procedural grounds. The Supreme Court will decide the issue in the coming days. U.S. top government officials have stressed our continued support for a peaceful resolution to the long-running conflict in Mindanao, while stressing that the U.S. is not involved in the details of the negotiations.

16. (C) The U.S. counterterrorism strategy in the region focuses on separating the small numbers of terrorists primarily associated with the Abu Sayyaf Group and Jemaah Islamiyah from Muslim insurgents in the southern Philippines who seek only autonomy from Manila. Separately, the 5,000-strong Communist New People's Army (NPA) continues to disrupt public security and business operations with intermittent attacks, primarily in Mindanao, targeting foreign companies, communications networks, and transportation infrastructures. While the NPA continues to decline in personnel and effectiveness, it remains steadfast in its refusal to accept President Arroyo's broad amnesty overtures, turning down offers to negotiate unless and until its international designation as a terrorist organization is rescinded.

ENGAGING ROGUE MILF ELEMENTS

17. (C) Last week, the Armed Forces carried out a targeted operation to drive out rogue elements of the MILF from villages they had illegally occupied in central Mindanao. The Philippine military emphasized that recent operations were not directed at the MILF as an organization, but against rogue elements that have continued to defy the rule of law. As per the request of the Philippine Armed Forces Chief of Staff General Alexander Yano, all U.S. forces were restricted

to brigade-level or higher compounds as a precaution against U.S. personnel being caught up in the violence or accused of engaging in combat. General Yano stressed this was a precautionary measure due to the large number of displaced civilians and the continued threat of sporadic violence in the area. More than 100,000 people were displaced, prompting the United Nations to deliver 400 tons of rice to the affected areas.

18. (C) As a result of the on-going conflict, the Philippine government canceled a planned joint military exercise involving U.S. F-15E and Philippine OV-10 aircraft citing sensitivities surrounding current military operations and the potential need for use of all available Philippine military assets. Mindful of concerns regarding military presence in Mindanao, the Mission decided to cancel the August 12 port call of the USS RENTZ to Zamboanga City after consulting with local officials.

PHILIPPINE DEFENSE REFORM

19. (C) In an encouraging sign of deepening support for the ongoing armed forces overhaul, Secretary of National Defense Gilberto Teodoro took personal control of Philippine Defense Reform last November, and has been keen to accelerate the program. The Philippine government plans to spend about USD 100 million annually through 2012 to fund defense reform initiatives. To date, the Philippines has spent over \$400 million on defense reform, including \$28 million to match U.S. foreign military financing. Secretary Teodoro is personally involved in the process down to the working level, and is currently putting his own personnel into key positions of authority.

HUMAN RIGHTS: COMBATING EXTRA-JUDICIAL KILLINGS

10. (SBU) President Arroyo has consistently expressed her commitment to resolving the complex problem of extra-judicial killings and has taken several steps in this direction. With

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increased domestic and international pressure, the number of extra-judicial killings decreased dramatically in 2007, but more still needs to be done. While many of these deaths and disappearances are more likely attributable to local disputes than to military or police action, it is clear that the government needs to do more to ensure that these crimes are fully investigated and that responsible parties -- whether or not they are connected to military or police -- are brought to justice. The problem is closely related to a judicial system which is inefficient and strained beyond its capacity.

The government has responded with a police task force ("Task Force Usig") to investigate the killings, the government also rejuvenated the Presidential Committee on Human Rights, established an Armed Forces Human Rights office to investigate allegations, and allocated additional funding for the Commission on Human Rights.

KENNEY